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USDOC FOR 532/OEA/LHINES/DFARROW
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR WILLIAM ZARIT
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: ZAND DYNASTY COMPANY LTD.

REF: A) USDOC 07674

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment verification (PSV) of Zand Dynasty Company Ltd., Unit 502, Block H, Sui Wo Court, Shatin, Hong Kong (Zand). The items in question are gas turbine parts exported to Zand on or about May 21, 2007 and valued at USD 110,000. In reftel A, the items are classified under export control classification number (ECCN) 9A001. This ECCN is controlled for national security (NS) and missile technology (MT) reasons and items falling within this ECCN would require a license for export to Hong Kong. The ECO notes that the U.S. exporter (Turbine Services Ltd. of Saratoga Springs, New York) did not put an ECCN on the applicable shippers export declaration (SED) and stated that the export could proceed NLR (no license required).

¶3. Zand is a Hong Kong registered company established in 2003. According to the Hong Kong Companies Registry, its paid-up share capital is the Hong Kong equivalent of USD 120. Directors are listed as Hong Kong resident Tian, Xiao Hua and Hong Kong resident Mr. Hassan Zand. The Hong Kong Companies Registry lists Ms. Tian's personal residence as being located in the same building Zand (but different block number).

¶4. A review of Zand's web site (<http://zanddynasty.diytrade.com>) reveals that Mr. Zand travels frequently to the Middle East and the United States. A review of Immigration and Customs Enforcement (ICE) databases reveals a Mr. Zand who is a likely match for the Director of Zand Dynasty. The Mr. Zand in the ICE database is an Iranian national and a U.S. permanent resident. According to the Zand web site, Ms. Tian is active in the mainland China market and has been doing business in Hong Kong for the past eight years. The web site further states that the company specializes in exports, imports, arranging outsourcing business for a wide range of products. The web site advertises various gas turbine parts for sale.

¶5. A web search of various phone numbers and contact details on the Zand web site reveals that Zand is a trading company that has been active in a range of product lines including pesticides, car parts, iron ore and other products. Certain trade leads on various trading sites including Alibaba include trade leads that require shipment of products to Iran. Additionally, certain web references to Matlab Kish Co. in Tehran, Iran list Ms. Tian's internet e-mail account in their contact details.

¶6. On October 1, 2007, the ECO met with Ms. Tian at the offices of

FCS. Mr. Tian had requested the meeting occur at FCS offices since, she stated, Zand is actually run from her home and she preferred not to meet there. In e-mail correspondence prior to the meeting, Ms. Tian stressed that the turbine parts were strictly for commercial use in the power generation sector. Ms. Tian stated that Zand is a trading company that both sources items internationally on behalf of clients and also represents mainland Chinese manufacturers internationally. She stated that its customers are primarily based in China, Indonesia and the Middle East. She stated that the company has had customers in Iran for agricultural products and construction machinery. The company has two to three employees. During a subsequent meeting on October 12, 2007 (described below), Ms. Tian stated that Mr. Zand is somewhat involved in the business but is also a professor at a Hong Kong university.

¶7. As to the particular items in question, Ms. Tian stated that they were acquired as part of a new market that Zand would like to enter. In particular, GE gas turbines are used for power generation in mainland China. As a result, according to Ms. Tian, there is a market demand for ready access to turbine spare parts for the China market. However, Ms. Tian also stated that the China market is moving from the GE frame 5 turbine (for which the items are suited) to GE frame 9 turbines. Ms. Tian stated that Zand is responding to a tender in Egypt for gas turbine spare parts for which the applicable items would be suitable.

¶8. The ECO provided Ms. Tian with extensive information about U.S. export and reexport controls. That information included guidance from the Treasury Department's Office of Foreign Assets Control (OFAC), which administers the U.S. embargo on trade with Iran. The ECO stressed that U.S. persons (including lawful permanent residents) may not conduct business with Iran (no matter the technical parameters of the items). Ms. Tian committed to reviewing the information closely and to ensuring that Zand complies with U.S. export and reexport controls.

¶9. On October 12, 2007, the ECO visited Tung Yue freight forwarders at the Kerry Cargo Center in Hong Kong. The items were located at this location in a larger wooden box. Ms. Tian requested that the box be opened but the items inside were sealed inside plastic packaging. Ms. Tian stated that it would not be appropriate to open the packaging as purchasers would not buy the products once the packaging had been opened. A review of the labels on the packaging revealed that this packaging material is designed to act as water vapor control.

¶10. The ECO recommends that OEA obtain an official commodity classification for the items to better ascertain their control status. With such commodity classification, the ECO may approach the Hong Kong government concerning this matter since items classified as ECCN 9A001 require a license for import into Hong Kong as well as export from Hong Kong.

¶11. At the time visited, Zand appeared to be an unsuitable recipient of the commodities shipped in light of its apparent dealings and associations with Iran. ECO notes that while reexports of certain low-level U.S. origin commodities to Iran by non-U.S. persons may be allowed, U.S. nationals and permanent residents are severely restricted from entering into such trade. The ECO recommends that this PSV be considered Unfavorable.